

USDA Foreign Agricultural Service

# GAIN Report

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## Ukraine

**Post:** Kiev

### Grain and Feed Update

**Report Categories:**

Grain and Feed

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**Report Highlights:**

The harvesting campaign is underway in Ukraine, and more than half of early grains area has already been harvested. Grain production is estimated to decrease in the 2009/2010 marketing year compared to the record grain crop harvested in 2008. The Ministry of Agrarian Policy of Ukraine forecast grain exports at 15-17 million tons in MY 2009/2010, which is higher than average, thanks to relatively large production and carryover stocks. The Government of Ukraine takes actions to support grain prices, but the effectiveness of these measures is still under question.

**General Information:**

The grain harvesting campaign is underway in Ukraine. By July 23, 2009, Ukrainian farmers had already harvested wheat and barley from approximately 60% and 50% of planted area, respectively. Area planted with grains this year is officially estimated to be 0.25 million ha larger compared to one year ago, which is mostly attributed to an increase in area planted with barley by over 900 thousand ha. Average grain yields are lower than in 2008, but grain production is expected to remain at above-average levels. Because of bumper grain production in 2008, as well as large carryover stocks and a decrease in domestic consumption, Ukraine's grain exports hit record highs in MY 2008/2009 and reached 24.7 million tons. Grain exports are expected to ease in the 2009/2010 marketing year, due to an expected crop reduction, but an export surplus is estimated to be larger than average. In spite of significant state budget constraints, the Government of Ukraine (GOU) tries to implement policies to support farm prices through conducting state grain purchases or facilitating grain exports by private companies.

**Production:**

By July 23, 2009, Ukrainian agricultural companies and farmers had already harvested 11.8 million tons of wheat and 6.4 million tons of barley with average yields of 2.91 tons per ha (15% year over year) and 2.52 tons per ha (-19% year over year), respectively. The decrease in average yield is attributed to less favorable weather conditions for the 2009 crop (including a period of dry weather and some frosts in April), as well as to lower use of agricultural inputs, due to the financial constraints related to the credit crunch. It should be noted that the financial crisis did not lead to a decrease in total grain planted area. On the other hand, the breakdown of planted crops changed, considering grain price changes over MY 2008/2009 and farmers' expectations.

**Statistical Data on Area Planted in Grains**

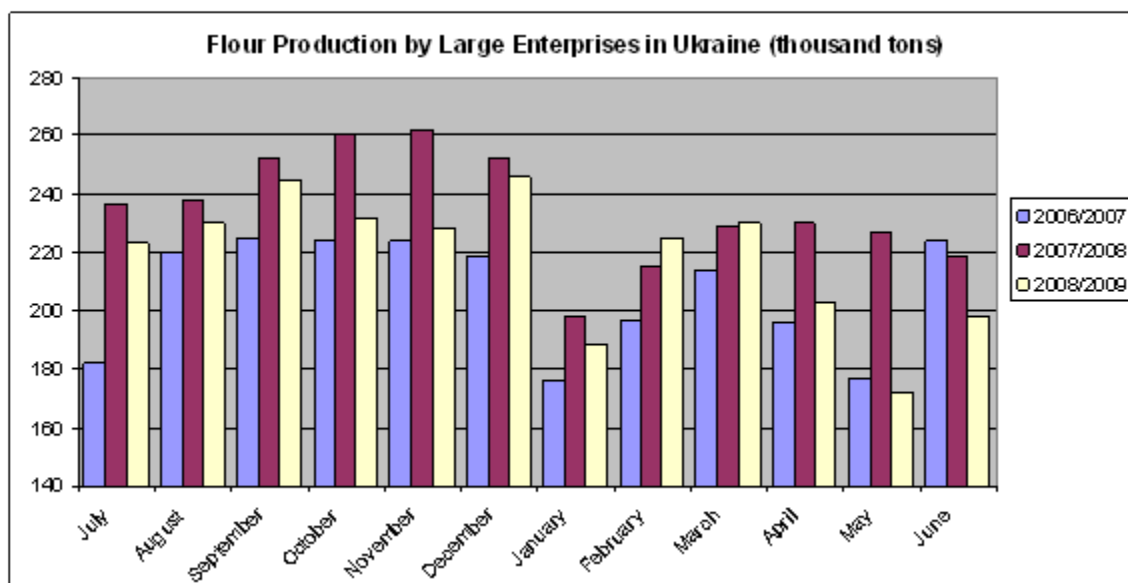
Crop	Planted Area, 1,000 ha		Change (2009 to 2008)	
	2009	2008	+, -	%
Total Grains	15,885.4	15,636.3	249.1	101.6
Wheat (winter and spring)	6,859.9	7,116.3	-256.4	96.4
Barley (winter and spring)	5,125.1	4,218.8	906.3	121.5
Corn	2,186.7	2,516.2	-329.5	86.9
Oats	438.6	455.9	-17.3	96.2
Rye	470.3	466.5	3.8	100.8
Buckwheat	266.9	301.9	-35	88.4

*Source: State Statistics Committee of Ukraine*

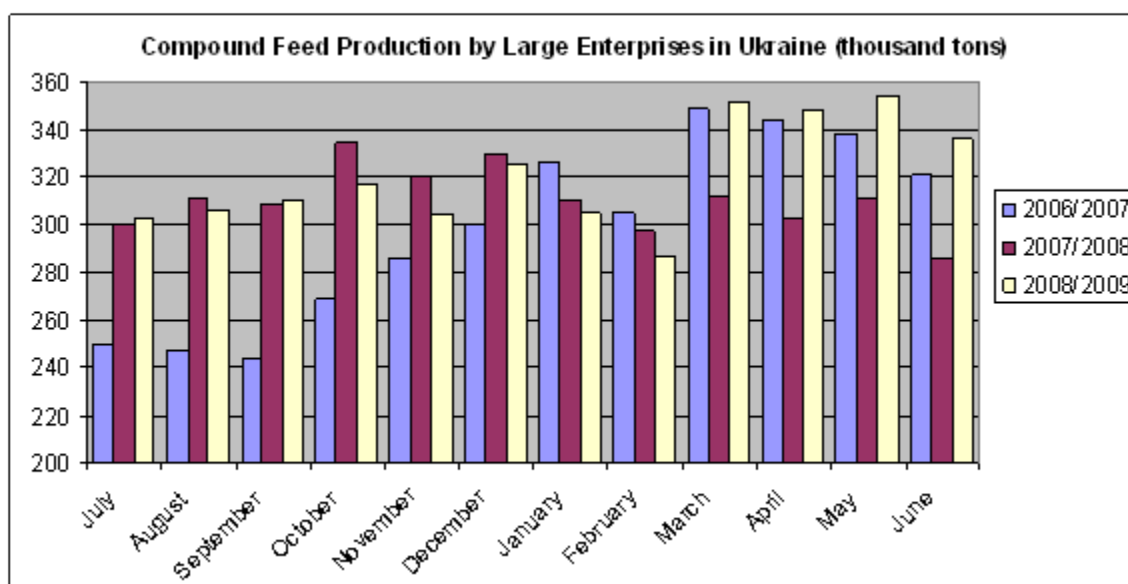
The Ministry of Agrarian Policy of Ukraine (MAPU) forecasted wheat production in 2009 at approximately 20.0 million tons, barley production – at 10.0 million tons, corn production – at 10.5-11.0 million tons, implying total grain exports of about 15-17 million tons in the 2008/2009 marketing year.

**Consumption:**

In spite of a high wheat crop in 2008, flour production by large and medium enterprises decreased to 2.4 million tons during 11 months (July-May) of MY 2008/2009, which is 7% less compared to the same period of MY 2007/2008. The decrease was mostly attributed to lower production of bread and bread products which decreased by 7% to 1.7 million tons in July-May of MY 2008/2009 compared to the same period of the 2007/2008 marketing year. On the other hand, wheat flour exports in July-May of MY 2008/2009 hit record highs and exceeded 204 thousand tons.

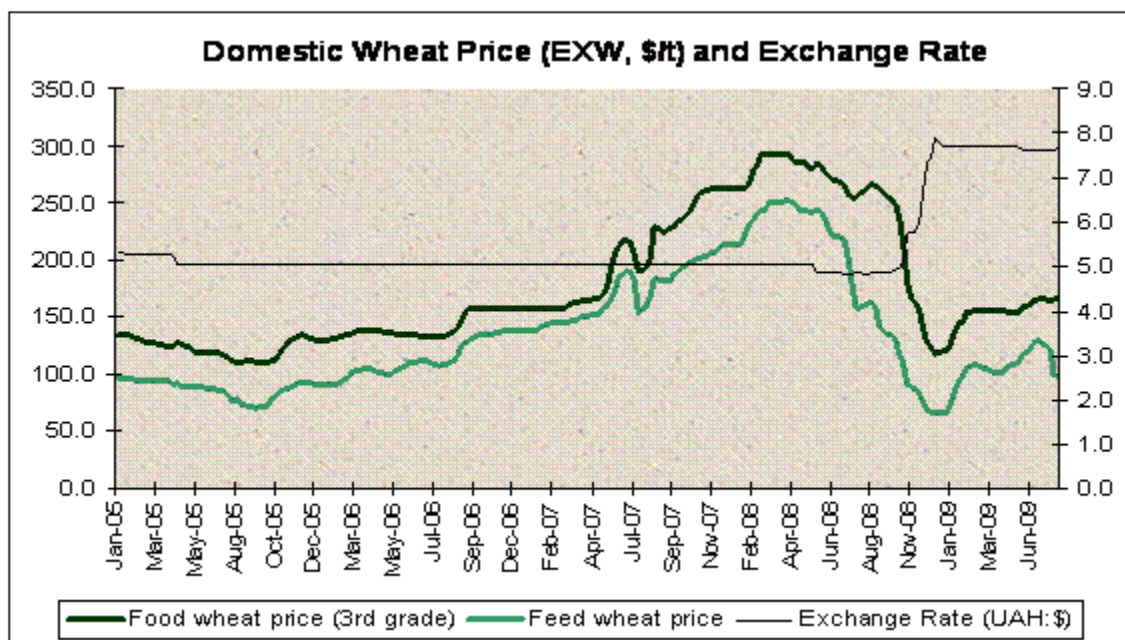


Wheat for food consumption is expected to decline slightly in the 2009/2010 marketing year, which is mostly attributed to an estimated decrease in wheat production. About 3.5 million tons of compound feed was produced in Ukraine by large and medium enterprises in eleven months of the 2008/2009 marketing year (July-May), which is 5% less compared to what was produced in the same period of the 2007/2008 marketing year. It should be noted that compound feed production accelerated in the last months of MY 2008/2009. In May 2009, Ukrainian companies produced 354,725 tons of compound feed, which is 10% more compared to production in May 2008.

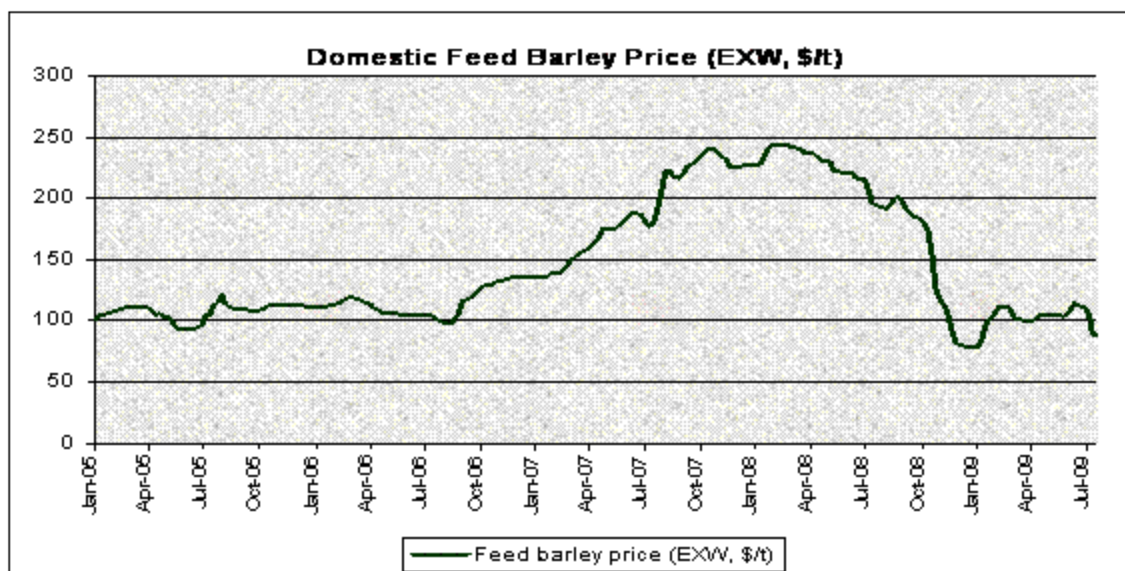


## Trade:

The bumper crop and substantial carryover stocks resulted in record grain export sales in the 2008/09 marketing year, promoting Ukraine to the list of top world grain exporters. Based on statistics, grain exports from Ukraine totaled 24.7 million tons, including 12.7 million tons of wheat and 6.3 million tons of barley. Grain exports are expected to slow down in the 2009/10 marketing year, but to remain on above average levels, particularly thanks to increased carry-over stocks. The Ministry of Agrarian Policy estimates total grain exports in MY 2009/10 at 15-17 million tons, and some industry unions estimate total grain exports in a range of 17-19 million tons.

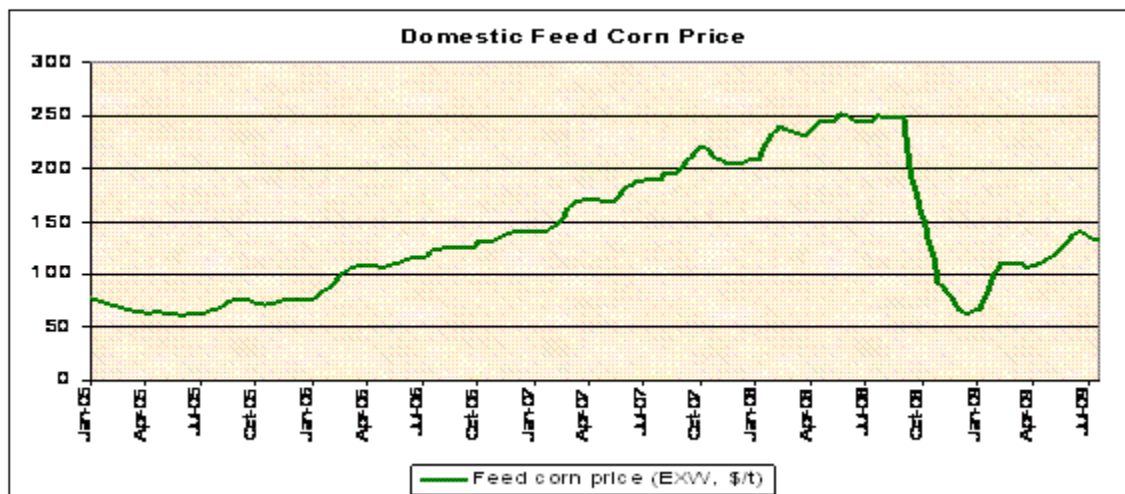


Source: Informational Agency APK-Inform



Source: Informational Agency APK-Inform

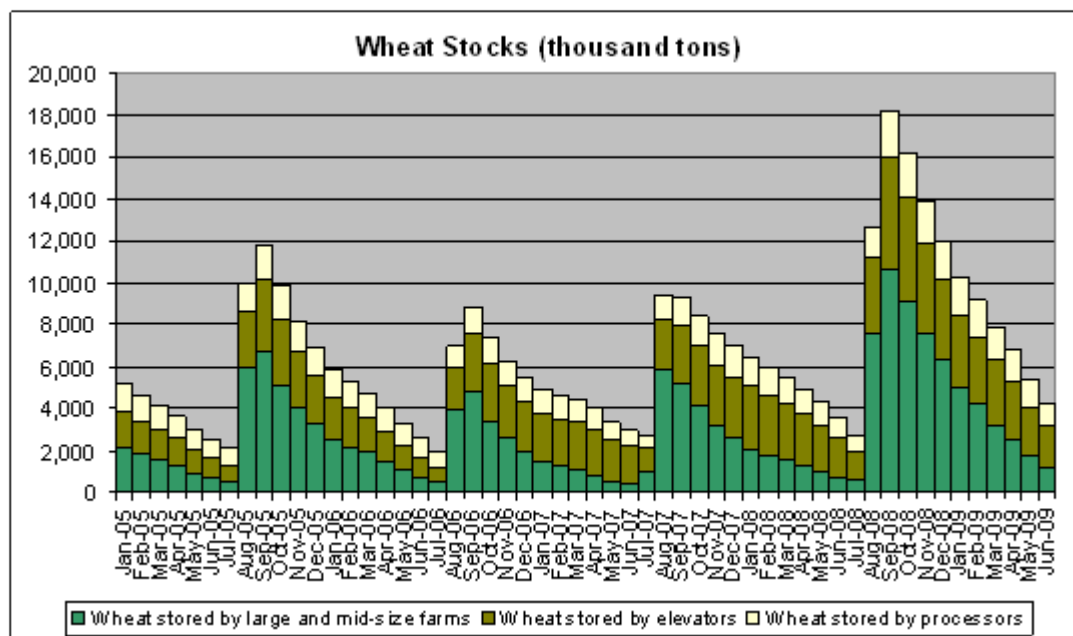
Domestic prices of most major grains are currently pressured by the new crop supplies. Grain interventions by the GOU have a slight impact on prices, which are mostly determined by purchasing grains by trading companies for export sales amid stable domestic demand.

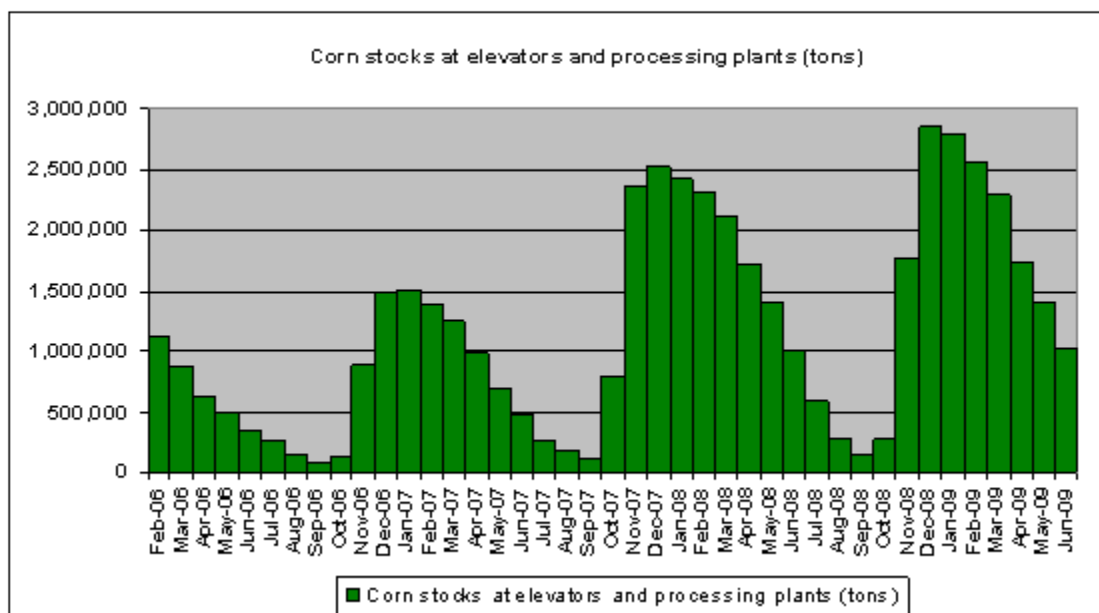


Source: Informational Agency APK-Inform

### Stocks:

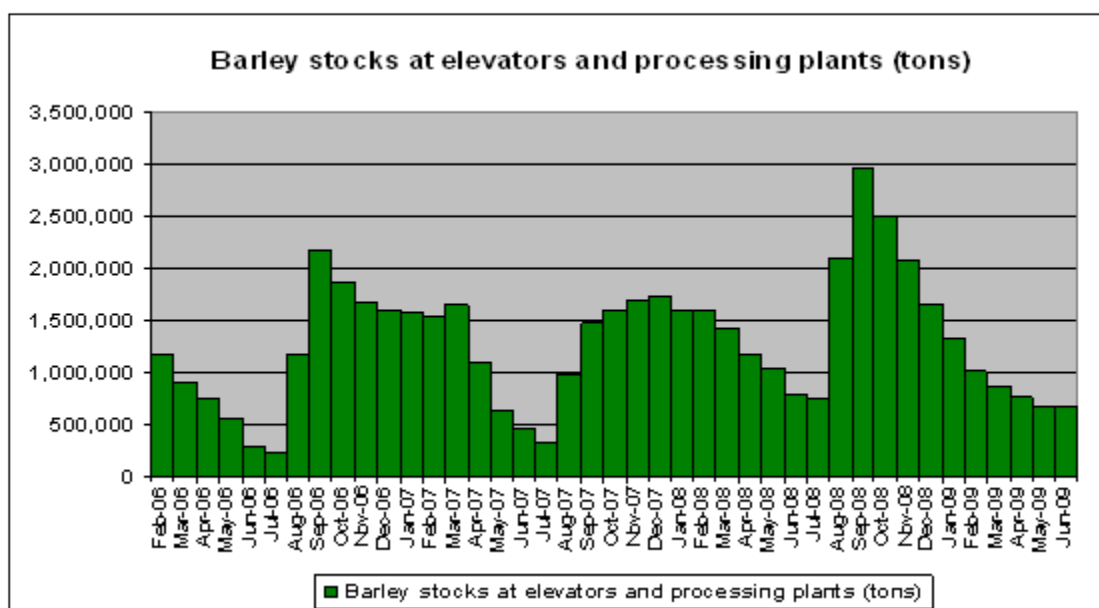
Ending stocks of grains stored by farmers, elevators and processors increased by 35% in the 2008/2009 marketing year and reached 7.3 million tons (this stock information does not account for grains stored by small farms and private households which accounts for up to 20% of all wheat produced in Ukraine).





Source: State Statistics Committee of Ukraine

Grain silos and processors held 4.4 million tons of grains (+23% year over year), including 2.8 million tons stored by silos (+21% year over year). Ending stocks of most major grains are expected to decrease in the 2009/2010 marketing year, based on an anticipated decrease in production and considering the continuation of liberalized grain exports.



Source: State Statistics Committee of Ukraine

## Policy:

The President of Ukraine signed into law the legislation that amends the law “On State Support of Agriculture in Ukraine”, which introduced some changes to the mechanism of intervention purchases. Based on the law, the GOU conducts intervention purchases and sales of agricultural and food commodities to influence (increase or decrease) prices. In June 2009, the GOU amended minimum and maximum prices for wheat and rye and set the prices for barley

(minimum and maximum prices are the indicators to start market intervention purchases and intervention sales, respectively) for the 2009/2010 marketing year. It should be noted that Ukrainian authorities introduced a new wheat standard that came into effect since the beginning of the 2009/2010 marketing year.

Commodity	Minimum Price, \$	Maximum Price, \$
Soft Wheat		
<i>Grade 1</i>	196	242
<i>Grade 2</i>	185	228
<i>Grade 3</i>	163	201
<i>Grade 4</i>	148	183
<i>Grade 5</i>	126	156
Hard Wheat		
<i>Grade 1</i>	216	266
<i>Grade 2</i>	203	250
<i>Grade 3</i>	185	228
<i>Grade 4</i>	165	204
<i>Grade 5</i>	137	169
Rye		
<i>Grade 1</i>	145	179
<i>Grade 2</i>	133	164
<i>Grade 5</i>	115	142
Barley		
<i>Grade 1</i>	137	172
<i>Grade 2</i>	133	154
<i>Grade 5</i>	117	129

Source: Ministry of Agrarian Policy and the National Bank of Ukraine for exchange rate

The Government of Ukraine is actively seeking funds to purchase 1.5 million tons of food wheat through the intervention purchases starting in July-August 2009. The GOU also ordered to start “mortgage” purchases, which implies providing loans to farmers with a soft commodity used as collateral with a simplified procedure of the withdrawal of this collateral (usually, grains) if loans contracted are not repaid. Both intervention and “mortgage” purchases are performed by the state operated Agrarian Fund. The GOU decided to allocate UAH 800 million (\$104 million) to reimburse interest rate payments on the loans contracted by millers, bakers and meat producers (feed users) to purchase grain in July-August 2009 in order to stimulate these enterprises to create medium term grain stocks. In addition, the GOU is currently watching over the costs of grain transportation and other logistic services, including railway tariffs, silo and port services in order to decrease infrastructure cost for grain exporting. Grain trading companies operating in Ukraine still face significant problems with the reimbursement of value-added tax (VAT) paid for exported commodities, in spite of the decision of the GOU to allocate UAH 1 billion (\$130 million) for VAT refunding to grain traders in July and August, 2009.

## Statistical Tables

Monthly Wheat Exports by Destination (July 2008 – May 2009), 1,000 MT

Country	Jul-	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-	Feb-09	Mar-09	Apr-09	May-09	TOTAL
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	08						09					
Philippines	0	0	0	10	118	56	164	168	103	335	179	1,133
Bangladesh	1	1	3	74	0	28	173	208	269	288	80	1,125
Korea, South	0	36	117	61	264	116	33	118	82	126	166	1,119
Morocco	0	0	14	29	0	0	0	4	11	56	0	114
Kenya	0	0	26	25	20	0	15	23	10	56	13	188
Spain	153	222	406	336	321	433	56	237	224	53	178	2,620
Israel	97	82	107	132	69	45	71	50	50	46	49	797
Egypt	45	206	358	262	105	0	0	0	7	44	57	1,085
Tunisia	110	81	83	3	0	0	0	0	5	43	68	394
Netherlands	8	0	4	7	24	14	0	22	56	26	10	171
Syria	0	10	5	15	13	0	3	14	8	22	11	102
Mauritania	0	0	0	0	7	0	0	20	0	22	0	49
Vietnam	0	2	1	1	0	4	0	22	25	21	3	79
Turkey	21	14	10	13	0	7	15	3	13	20	41	156
United Kingdom	0	5	6	0	10	15	0	9	5	17	22	89
Indonesia	0	0	1	3	3	4	0	4	7	9	2	33
Hungary	0	0	11	0	0	0	0	0	0	6	6	23
Belarus	4	4	14	9	6	2	1	3	0	3	0	46
Austria	1	1	7	2	0	0	3	1	3	3	2	23
Italy	8	65	52	65	46	46	6	9	3	3	41	344
Iran	0	0	0	0	39	42	44	0	66	2	0	192
Uganda	0	0	13	12	3	0	0	4	0	1	9	41
Belgium	0	17	0	0	0	0	0	20	0	0	0	37
Unknown	0	0	0	0	0	51	0	0	0	0	24	75
Afghanistan	5	10	6	3	1	3	1	0	0	0	0	30
Algeria	0	14	20	55	23	0	7	0	0	0	0	119
Azerbaijan	11	3	4	24	8	10	10	15	4	0	0	89
Jordan	46	0	52	89	15	0	0	0	50	0	69	322
Georgia	4	0	3	10	0	2	0	4	0	0	1	25
Greece	8	0	15	13	0	18	0	0	0	0	0	54
Ecuador	0	0	0	0	0	0	0	0	24	0	0	24
Djibouti	0	0	0	0	45	0	21	0	30	0	0	96
Saudi Arabia	0	0	0	0	36	25	7	0	0	0	0	68
Somalia	0	0	0	0	0	0	0	0	0	0	24	24
Poland	16	13	8	0	0	0	0	0	0	0	0	37
Portugal	0	38	33	55	0	83	0	0	0	0	0	210
Nigeria	0	0	5	6	0	0	0	0	27	0	0	38
Pakistan	36	33	51	0	31	0	3	47	0	0	0	201
Lebanon	17	9	0	6	0	3	5	3	0	0	19	62
Latvia	0	7	10	0	0	0	0	0	0	0	0	17
Libya	13	16	51	8	24	25	23	35	10	0	0	204
Lithuania	10	8	11	0	0	0	0	0	0	0	0	28
Other Not Listed	31	9	37	5	8	14	9	10	21	21	19	183
Total	646	908	1,542	1,334	1,238	1,043	671	1,052	1,112	1,224	1,097	11,866

Source: State Statistics Committee of Ukraine



**Monthly Corn Exports by Destination (July 2008- May 2009), 1,000 MT**

Country	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Total
Egypt	5	70	101	177	91	162	226	91	924
Syria	14	24	44	36	125	113	71	72	500
Israel	0	6	10	24	18	108	64	88	318
Korea, South	0	0	0	0	0	0	59	9	68
Sudan	0	0	0	0	0	0	53	0	53
Tunisia	0	28	29	23	27	56	45	61	268
Algeria	0	27	18	15	62	58	42	11	234
Japan	0	0	0	41	3	11	39	68	161
Vietnam	0	0	0	0	0	50	37	0	87
Morocco	0	0	7	6	26	31	35	0	104
Kenya	0	0	0	6	0	18	33	26	83
Turkey	3	1	4	11	10	28	30	16	102
Belarus	7	23	28	10	25	30	21	4	148
Gibraltar	0	0	0	0	0	7	13	0	20
Cyprus	0	1	0	3	6	1	12	3	25
Netherlands	3	3	28	21	0	5	4	22	86
Libya	0	21	0	11	43	86	3	17	181
Russia	12	0	2	0	1	1	2	2	20
Lithuania	1	0	2	1	2	1	1	2	11
Azerbaijan	4	5	5	7	6	0	1	2	32
Uzbekistan	0	2	4	1	1	1	1	2	12
Iran	0	0	84	122	109	107	1	166	589
Estonia	2	1	3	1	2	0	0	1	11
Georgia	0	8	2	0	0	3	0	2	16
Portugal	0	0	0	0	28	24	0	0	52
United Kingdom	0	0	0	0	1	9	0	0	10
Spain	0	0	55	25	41	32	0	23	176
Germany	0	0	0	0	11	24	0	0	35
Hungary	0	1	3	0	0	1	0	26	32
Jordan	0	0	0	0	25	36	0	0	61
Lebanon	0	2	14	0	14	0	0	8	38
Latvia	0	2	2	3	0	0	0	2	10
Other Not Listed	0	6	7	7	2	6	0	0	28
Total	53	232	454	552	681	1010	796	723	4,500

Source: State Statistics Committee of Ukraine

**Monthly Barley Exports by Destination (July 2008 – May 2009), 1,000 MT**

Country	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Total
Saudi Arabia	401	208	364	377	369	191	91	134	5	82	94	2,317
Syria	76	138	154	122	92	39	77	33	43	52	4	829
Israel	13	59	23	26	17	0	9	10	21	44	3	225
United Kingdom	4	9	0	9	0	0	0	4	16	2	0	44
Qatar	0	17	0	40	0	0	0	41	0	0	0	98
Morocco	6	0	0	0	0	0	27	15	0	0	0	48
Oman	0	22	0	0	0	13	0	0	0	0	0	34
Netherlands	0	2	2	1	11	11	0	0	3	0	27	57

Turkey	0	0	15	10	0	1	0	0	0	0	0	26
Spain	0	34	0	0	0	0	0	0	0	0	0	34
Switzerland	0	12	8	28	0	3	0	0	0	0	0	51
United Arab Emirates	0	27	57	0	0	0	0	0	0	0	0	84
Tunisia	0	25	0	27	5	24	16	1	7	0	0	105
Cyprus	35	49	7	8	2	4	9	8	0	0	0	121
Germany	0	0	0	0	0	0	0	0	17	0	0	17
Algeria	24	25	0	0	0	0	0	0	27	0	0	77
Iran	97	230	226	176	54	150	0	108	60	0	119	1,220
Kazakhstan	7	2	0	9	7	4	3	7	0	0	5	44
Jordan	128	53	53	45	8	0	13	13	0	0	0	312
Kuwait	24	0	63	0	0	0	0	0	33	0	0	119
Lebanon	11	3	0	0	0	13	7	0	0	0	3	37
Libya	6	49	7	13	14	0	0	7	13	0	4	113
Other Not Listed	6	6	0	0	1	2	6	7	2	1	1	32
Total	836	968	978	891	580	455	259	387	248	182	261	6,045

Source: State Statistics Committee of Ukraine